

APPENDIX to “Pyramidal Ownership and the Creation of New Firms”

This Appendix reports additional results that we discuss but do not tabulate in the main text of the paper. The content is summarized below, and the tables and figures follow afterwards.

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Figure A1: Age Profiles of Profitability. **Figure A1.a:** Firms with Parent Companies Affiliated with Groups vs. Stand-Alone Firm. **Figure A1.b:** Firms with Parent Companies Not Affiliated with Groups vs. Stand-Alone Firms.

Figure A2: Age Profiles of Profitability in Industries with High and Low Enterprise Death Rates. **Figure A2.a:** Enterprise Death Rates Above Median. **Figure A2.b:** Enterprise Death Rates Below Median.

Table A1
Sample Composition by Industry (2006)

The table reports summary statistics of the sample of new firms (firms with age 1-3 years since incorporation) in the European manufacturing sector in 2006 broken down by two-digit ISIC industry. The first two columns report the total assets added to the manufacturing sector by new firms (in millions of Euro) and the number of new firms, respectively. The remaining columns report the fraction of new firms with parent companies, the mean *Total Assets*, the mean *EBITDA/Total Asset*, and the mean *Inside Equity/Total Assets* of new firms, respectively. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals.

	Total Assets	Number	With Parent Companies	Mean Total Assets	Mean EBITDA/Total Assets	Mean Inside Equity/Total Assets
	(EUR million)		(%)	(EUR thousand)	(%)	(%)
Food products and beverages	3,545	1,728	29.7	2,051.7	8.6	7.8
Textiles	748	631	22.8	1,185.7	9.7	5.6
Apparel	389	517	14.9	753.2	7.3	5.0
Leather	158	145	17.2	1,090.3	12.0	5.5
Wood and cork	990	1,396	15.2	708.9	11.6	4.0
Pulp and paper	672	255	26.3	2,634.2	8.9	6.9
Printing and publishing	2,037	3,459	17.5	588.8	10.9	4.6
Coke and refined petroleum	280	31	45.2	9,043.2	5.0	10.1
Chemicals	2,920	600	46.0	4,866.0	6.8	9.2
Rubber and plastics	1,438	815	32.4	1,764.0	12.2	6.4
Other non-metallic mineral products	1,657	999	25.7	1,659.1	11.4	6.4
Basic metals	1,285	451	23.5	2,849.9	12.7	4.3
Fabricated metal products	4,364	4,492	18.0	971.4	15.5	4.0
Machinery and equipment	4,545	2,027	31.6	2,242.3	13.1	6.1
Electrical machinery	1,464	758	31.7	1,931.3	13.4	5.8
Radio, television and communication equipment	984	343	37.3	2,868.8	10.4	7.5
Medical, precision and optical instruments	744	741	32.0	1,003.6	11.3	8.2
Motor vehicles	1,299	390	26.9	3,331.9	9.3	4.7
Other transportation equipment	1,025	567	25.0	1,808.6	10.3	5.0
Manufacturing N.E.C.	1,665	2,455	14.8	678.4	10.1	4.1
Total	32,210	22,800	22.9	1,412.7	11.7	5.3

Table A2
Age Profiles of Profitability for All Firms

The table reports the results of OLS regressions which estimate the age profiles of profitability ($EBITDA/Total\ Assets$) for firms with parent companies and stand-alone ones. The sample includes all firms with parent companies and stand-alone firms in the European manufacturing sector in 2001-2006 regardless of age. We use the following regression specification (equation (1) in the paper):

$$EBITDA/Total\ Assets_{ij} = \mu + \alpha \times PC_{ij} + \sum_{a=1}^{20} \beta_a \times PC_{ij} \times Age_{ij}^a + \sum_{a=1}^{20} \theta_a \times (1 - PC_{ij}) \times Age_{ij}^a + \lambda_j + \varepsilon_{ij} ,$$

where i and j denote firm and country-industry-legal form-calendar year cell, respectively (industries are defined at the three-digit ISIC level). PC_{ij} equals one if a firm has a parent company and zero otherwise; Age_{ij}^a equals one if a firm is a years old and zero otherwise, with $a = 1, \dots, 20$; and λ_j is a fixed effect for each country-industry-legal form-calendar year cell. In column (1) we use all firms with parent companies and stand-alone ones ($PC = 1$ for firms with parent companies and $= 0$ for stand-alone ones); in column (2) we use all firms with parent companies affiliated with business groups and stand-alone ones (*Affiliated PC* = 1 for firms whose parent companies are affiliated with business groups and $= 0$ for stand-alone ones); and in column (3) we use all firms with parent companies not affiliated with business groups and stand-alone ones (*Not Affiliated PC* = 1 for firms whose parent companies are not affiliated with business groups and $= 0$ for stand-alone ones). Firms with parent companies are firms with at least one incorporated shareholder and stand-alone firms are firms owned only by individuals. Firms with parent companies are further classified into those whose parent companies are affiliated with a business group and those whose parent companies are not affiliated with a business group as described in Section 3.4 of the text. For ease of presentation, *PC Type* in the table is *PC* for column (1), *Affiliated PC* for column (2), and *Not Affiliated PC* for column (3). Robust standard errors (clustered at the firm level) are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively.

Table A2 (Cont.)

	(1)	(2)	(3)
PC	-0.004*** (0.001)		
Affiliated PC		-0.003** (0.001)	
Not Affiliated PC			-0.005*** (0.001)
Age 1 × PC Type	-0.029*** (0.003)	-0.034*** (0.007)	-0.027*** (0.003)
Age 2 × PC Type	-0.017*** (0.002)	-0.030*** (0.004)	-0.013*** (0.002)
Age 3 × PC Type	-0.011*** (0.002)	-0.023*** (0.004)	-0.007*** (0.002)
Age 4 × PC Type	-0.004*** (0.002)	-0.013*** (0.003)	-0.001 (0.002)
Age 5 × PC Type	0.003* (0.002)	-0.005 (0.003)	0.006*** (0.002)
Age 6 × PC Type	0.006*** (0.002)	-0.004 (0.003)	0.009*** (0.002)
Age 7 × PC Type	0.005*** (0.002)	-0.002 (0.003)	0.008*** (0.002)
Age 8 × PC Type	0.006*** (0.002)	0.001 (0.003)	0.009*** (0.002)
Age 9 × PC Type	0.005*** (0.002)	-0.002 (0.003)	0.007*** (0.002)
Age 10 × PC Type	0.007*** (0.002)	-0.002 (0.003)	0.010*** (0.002)
Age 11 × PC Type	0.006*** (0.002)	-0.005 (0.003)	0.010*** (0.002)
Age 12 × PC Type	0.006*** (0.001)	0.004 (0.003)	0.007*** (0.002)
Age 13 × PC Type	0.008*** (0.001)	0.003 (0.003)	0.010*** (0.002)
Age 14 × PC Type	0.007*** (0.001)	0.004 (0.003)	0.009*** (0.002)
Age 15 × PC Type	0.006*** (0.001)	0.004 (0.003)	0.007*** (0.002)
Age 16 × PC Type	0.006*** (0.001)	0.006** (0.003)	0.007*** (0.002)
Age 17 × PC Type	0.007*** (0.002)	0.007** (0.003)	0.008*** (0.002)
Age 18 × PC Type	0.007*** (0.002)	0.001 (0.004)	0.010*** (0.002)
Age 19 × PC Type	0.006*** (0.002)	0.002 (0.004)	0.008*** (0.002)
Age 20 × PC Type	0.004** (0.002)	0.007* (0.004)	0.004* (0.002)

Table A2 (Cont.)

	(1)	(2)	(3)
Age 1 × (1-PC Type)	0.013*** (0.003)	0.014*** (0.003)	0.014*** (0.003)
Age 2 × (1-PC Type)	0.030*** (0.002)	0.031*** (0.002)	0.030*** (0.002)
Age 3 × (1-PC Type)	0.029*** (0.002)	0.030*** (0.002)	0.029*** (0.002)
Age 4 × (1-PC Type)	0.027*** (0.001)	0.028*** (0.001)	0.028*** (0.001)
Age 5 × (1-PC Type)	0.027*** (0.001)	0.027*** (0.001)	0.027*** (0.001)
Age 6 × (1-PC Type)	0.025*** (0.001)	0.026*** (0.001)	0.026*** (0.001)
Age 7 × (1-PC Type)	0.023*** (0.001)	0.023*** (0.001)	0.023*** (0.001)
Age 8 × (1-PC Type)	0.023*** (0.001)	0.023*** (0.001)	0.023*** (0.001)
Age 9 × (1-PC Type)	0.022*** (0.001)	0.022*** (0.001)	0.022*** (0.001)
Age 10 × (1-PC Type)	0.018*** (0.001)	0.019*** (0.001)	0.019*** (0.001)
Age 11 × (1-PC Type)	0.020*** (0.001)	0.020*** (0.001)	0.020*** (0.001)
Age 12 × (1-PC Type)	0.018*** (0.001)	0.018*** (0.001)	0.019*** (0.001)
Age 13 × (1-PC Type)	0.016*** (0.001)	0.016*** (0.001)	0.016*** (0.001)
Age 14 × (1-PC Type)	0.015*** (0.001)	0.015*** (0.001)	0.015*** (0.001)
Age 15 × (1-PC Type)	0.016*** (0.001)	0.015*** (0.001)	0.016*** (0.001)
Age 16 × (1-PC Type)	0.012*** (0.001)	0.012*** (0.001)	0.012*** (0.001)
Age 17 × (1-PC Type)	0.011*** (0.001)	0.012*** (0.001)	0.011*** (0.001)
Age 18 × (1-PC Type)	0.009*** (0.001)	0.009*** (0.001)	0.009*** (0.001)
Age 19 × (1-PC Type)	0.008*** (0.001)	0.008*** (0.001)	0.008*** (0.001)
Age 20 × (1-PC Type)	0.007*** (0.001)	0.008*** (0.001)	0.008*** (0.001)
Country-Industry-Legal Form-Year FE	Yes	Yes	Yes
Observations	537,532	349,511	475,783
Adjusted R ²	0.05	0.06	0.05

Table A3
Age Profiles of Profitability for New Firms

The table reports the results of OLS regressions which estimate the age profiles of profitability ($EBITDA/Total\ Assets$) for new firms with parent companies and stand-alone ones. The table is analogous to Table A2, except that the sample includes only new firms until the year we last observe them in the sample (but does not include the older firms) and hence the profiles are only estimated for the age categories $a = 1, \dots, 5$ years old.

	(1)	(2)	(3)
PC	-0.020*** (0.004)		
Affiliated PC		-0.040*** (0.007)	
Not Affiliated PC			-0.017*** (0.004)
Age 1 × PC Type	-0.035*** (0.005)	-0.021* (0.011)	-0.037*** (0.005)
Age 2 × PC Type	-0.023*** (0.004)	-0.017** (0.008)	-0.024*** (0.004)
Age 3 × PC Type	-0.016*** (0.003)	-0.010 (0.007)	-0.017*** (0.004)
Age 4 × PC Type	-0.006* (0.003)	0.005 (0.007)	-0.008** (0.004)
Age 5 × PC Type	-0.000 (0.003)	0.001 (0.007)	-0.000 (0.004)
Age 1 × (1-PC Type)	-0.011*** (0.004)	-0.014*** (0.004)	-0.011*** (0.004)
Age 2 × (1-PC Type)	0.003 (0.003)	-0.001 (0.003)	0.003 (0.003)
Age 3 × (1-PC Type)	0.004 (0.003)	0.000 (0.003)	0.004 (0.003)
Age 4 × (1-PC Type)	0.004 (0.003)	0.002 (0.003)	0.004 (0.003)
Age 5 × (1-PC Type)	0.004 (0.003)	0.002 (0.003)	0.004 (0.003)
Country-Industry-Legal Form-Year FE Firm FE and Year FE	Yes	Yes	Yes
Observations	65,471	41,681	59,510
Adjusted R ²	0.05	0.06	0.05

Table A4
Size and Profitability of New Firms Linked to Parent Companies
with High and Low Retained Earnings

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*) and profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*) of new firms whose parent companies have retained earnings (*RE*) above and below the sample median. The sample consists of new firms (firms with age 1-3) with parent companies in the European manufacturing sector in 2001-2006. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. New firms with parent companies are new firms with at least one incorporated shareholder. *Total Assets* and *Fixed Assets* are measured in thousands of Euro. The last two columns report the number of new firms with parent companies on the common support.

	High RE	Low RE	Difference	t-stat	# High RE	# Low RE
<i>Panel A: Size</i>						
Total Assets	5,678.9	2,599.7	3,079.2	13.98	4,166	8,115
Fixed Assets	2,600.4	1,207.7	1,392.7	11.45	3,605	7,354
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	7.9%	8.5%	-0.6%	-1.03	2,667	6,005
EBIT/Total Assets	1.7%	2.1%	-0.4%	-0.66	3,239	6,891

Table A5**Profitability of New Firms with Parent Companies and Diversion Incentives: Wedge Ratio**

The table reports the results of OLS regressions of profitability ($EBITDA/Total\ Assets$) on the ratio of controlling owners' control to cash flow rights ($WedgeR$) and control variables. The table is analogous to Table 9, except that we measure diversion incentives using the ratio of controlling owners' control to cash flow rights instead of the difference.

	(1)	(2)	(3)	(4)	(5)	(6)
WedgeR	-0.143 (0.109)	-0.174 (0.109)	0.020 (0.125)	0.019 (0.171)	0.032 (0.170)	0.165 (0.112)
Log(Total Assets) / 1,000		1.192*** (0.302)	0.435 (0.402)		2.702** (1.179)	2.907** (1.304)
Age		0.016*** (0.004)	0.014** (0.005)		0.000 (0.002)	-0.004** (0.002)
Tangibility			-0.040** (0.020)			-0.119*** (0.029)
Leverage			-0.149*** (0.018)			-0.139*** (0.020)
Country-Industry-Legal Form-Year FE	Yes	Yes	Yes	No	No	No
Firm FE and Year FE	No	No	No	Yes	Yes	Yes
Observations	8,924	8,924	4,461	14,892	14,892	7,882
Adjusted R ²	0.00	0.01	0.09	0.57	0.57	0.61

Table A6
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms
with 100% Ownership Disclosure

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* and *Wages/Employment*) of new firms with different ownership structures. The table is analogous to Table 14, except that stand-alone new firms are new firms owned only by individuals and for which disclosed ownership stakes by individuals account for at least 100% of their equity (new stand-alone firms for which disclosed ownership stakes account for less than 100% of their equity are discarded from the sample). *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wages/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone (100% of Stakes Disclosed)	Difference	t-stat	# With Parent Companies	# Stand-Alone (100% of Stakes Disclosed)
<i>Panel A: Size</i>						
Total Assets	4,655.7	637.6	4,018.1	38.25	15,409	37,668
Fixed Assets	2,110.9	257.0	1,853.9	32.40	13,566	34,725
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	8.7%	13.6%	-4.9%	-15.23	8,926	15,382
EBIT/Total Assets	1.8%	6.2%	-4.4%	-13.04	10,723	17,730
<i>Panel C: Inside Equity</i>						
Inside Equity	386.6	36.2	350.5	31.47	15,104	37,509
Inside Equity/Total Assets	10.7%	8.7%	2.0%	10.73	15,014	37,258
<i>Panel D: Technology</i>						
Fixed Assets/Employment	46.3	29.4	16.9	15.55	7,722	14,134
Wages/Employment	37.1	31.5	5.6	15.86	6,833	10,202

Table A7
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms:
UK and Non-UK Firms

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* and *Wages/Employment*) of new firms with parent companies and stand-alone new firms in subsamples of UK and non-UK new firms. The sample consists of new firms (firms with age 1-3) in the European manufacturing sector in 2001-2006. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. Panel A reports the results using the subsample of new firms incorporated in the UK; Panel B reports the results using the subsample of new firms incorporated in all other countries. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee. The last two columns report the number of new firms on the common support.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: UK New Firms with Parent Companies vs. UK Stand-Alone New Firms</i>						
Total Assets	4,078.9	316.7	3,762.2	23.19	4,502	31,702
Fixed Assets	1,888.2	137.6	1,750.6	18.88	3,504	27,828
EBITDA/Total Assets	4.7%	14.5%	-9.9%	-8.46	1,075	3,146
EBIT/Total Assets	-2.4%	3.9%	-6.3%	-5.25	1,498	4,181
Inside Equity	225.1	6.6	218.6	15.39	4,504	32,324
Inside Equity/Total Assets	6.8%	2.2%	4.6%	16.08	4,540	32,255
Fixed Assets/Employment	50.3	19.9	30.5	7.61	493	417
Wages/Employment	39.7	23.2	16.5	11.15	490	352
<i>Panel B: Non-UK New Firms with Parent Companies vs. Non-UK Stand-Alone New Firms</i>						
Total Assets	4,153.1	817.1	3,336.0	35.95	12,626	27,275
Fixed Assets	1,827.0	316.3	1,510.7	30.79	11,588	25,834
EBITDA/Total Assets	9.1%	13.0%	-3.9%	-14.04	9,262	19,187
EBIT/Total Assets	2.4%	6.0%	-3.6%	-12.42	10,841	21,578
Inside Equity	366.1	45.7	320.4	31.56	12,192	26,487
Inside Equity/Total Assets	12.2%	9.7%	2.6%	11.89	12,175	26,252
Fixed Assets/Employment	44.7	30.4	14.3	15.09	8,422	18,555
Wages/Employment	37.1	32.0	5.0	16.35	7,523	14,114

Table A8
Characteristics of New Firms with Parent Companies Not Suspect of Being Shells
and Stand-Alone New Firms

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* and *Wages/Employment*) of new firms with at least one parent company which is not suspect of being a shell and stand-alone new firms. The sample consists of new firms (firms with age 1-3) in the European manufacturing sector in 2001-2006. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. A parent company is suspect of being a shell if it satisfies two conditions: (i) the only reported shareholder is a single individual who owns at least 90% of the shares and (ii) its cash-to-total assets ratio is greater than 50% and either its total assets are less than €20,000 or its annual sales are less than €10,000. Stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee. The last two columns report the number of new firms on the common support.

	With Parent Companies (Not Shells)	Stand-Alone	Difference	t-stat	# With Parent Companies (Not Shells)	# Stand-Alone
<i>Panel A: Size</i>						
Total Assets	4,260.4	690.5	3,569.9	37.58	12,399	58,984
Fixed Assets	1,889.3	281.6	1,607.8	31.90	10,970	53,675
<i>Panel B Profitability</i>						
EBITDA/Total Assets	8.5%	13.3%	-4.8%	-15.59	7,895	22,395
EBIT/Total Assets	1.8%	6.0%	-4.2%	-12.94	9,381	25,816
<i>Panel C: Inside Equity</i>						
Inside Equity	351.6	37.1	314.5	31.66	12,058	58,818
Inside Equity/Total Assets	11.5%	8.1%	3.3%	16.95	12,101	58,514
<i>Panel D: Technology</i>						
Fixed Assets/Employment	45.8	29.9	15.9	15.17	6,758	18,974
Wages/Employment	37.8	31.9	5.9	17.85	6,162	14,468

Table A9
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms:
Propensity Score Matching

The table reports the results of propensity-score matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* or *Wages/Employment*) of new firms with different ownership structures. Matching is based on propensity scores estimated using a Logit model of the probability that a new firm is incorporated with a parent company using the country, three-digit ISIC industry, age since incorporation, legal form (Public Limited or Private Limited), and calendar year dummies as predictors. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: Size</i>						
Total Assets	5,039.0	855.2	4,183.8	53.53	22,746	58,984
Fixed Assets	2,251.1	315.2	1,935.9	46.94	20,604	53,675
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	8.2%	12.8%	-4.5%	-16.96	16,112	22,395
EBIT/Total Assets	1.7%	5.9%	-4.2%	-15.02	18,580	25,816
<i>Panel C: Inside Equity</i>						
Inside Equity	418.3	48.4	369.9	44.14	22,275	58,818
Inside Equity/Total Assets	11.2%	8.2%	3.0%	18.46	22,670	58,514
<i>Panel D: Technology</i>						
Fixed Assets/Employment	49.3	32.4	16.9	19.73	14,357	18,976
Wages/Employment	37.6	31.4	6.1	21.94	13,554	14,468

Table A10
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms:
Not Matched on Legal Form

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* or *Wages/Employment*) of new firms with different ownership structures. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, age, and calendar year (we do not match on the legal form of incorporation). New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: Size</i>						
Total Assets	4,414.1	619.3	3,794.8	48.35	18,861	58,984
Fixed Assets	1,973.0	240.5	1,732.5	41.25	16,764	53,675
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	8.5%	13.1%	-4.6%	-17.80	11,975	22,395
EBIT/Total Assets	1.8%	5.7%	-3.9%	-14.34	14,101	25,816
<i>Panel C: Inside Equity</i>						
Inside Equity	373.0	33.6	339.4	40.19	18,398	58,818
Inside Equity/Total Assets	11.0%	7.7%	3.3%	20.67	18,466	58,514
<i>Panel D: Technology</i>						
Fixed Assets/Employment	46.9	29.7	17.3	19.45	10,350	18,976
Wages/Employment	37.3	31.3	6.0	21.36	9,448	14,468

Table A11
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms:
Sub-Sample of New Firms Incorporated as Private Limited

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* or *Wages/Employment*) of new firms with different ownership structures. The sample contains only new firms incorporated as Private Limited companies. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: Size</i>						
Total Assets	3,392.1	509.0	2,883.1	44.36	15,119	56,663
Fixed Assets	1,443.5	196.9	1,246.5	37.14	13,174	51,378
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	8.5%	13.3%	-4.8%	-16.57	8,727	20,308
EBIT/Total Assets	1.7%	5.8%	-4.0%	-13.30	10,552	23,527
<i>Panel C: Inside Equity</i>						
Inside Equity	228.0	25.3	202.7	34.95	14,699	56,440
Inside Equity/Total Assets	10.4%	7.6%	2.8%	16.54	14,845	56,156
<i>Panel D: Technology</i>						
Fixed Assets/Total Assets	41.8	26.6	15.2	16.86	7,542	17,097
Wages/Employment	36.8	30.6	6.1	19.58	6,754	13,708

Table A12
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms:
Robustness to Using Only One Observation Per Firm

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* and *Wages/Employment*) of new firms with different ownership structures. The sample of new firms consists of only one observation per new firm, the one corresponding to the first year in which the firm is observed in the data during the period 2001-2006 with age between one and three years old. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: Size</i>						
Total Assets	3,877.2	610.0	3,267.2	33.57	10,715	40,847
Fixed Assets	1,780.5	243.4	1,537.1	28.37	9,451	37,271
<i>Panel B: Profitability</i>						
EBITDA/Total Assets	8.1%	12.7%	-4.5%	-12.68	6,274	15,868
EBIT/Total Assets	1.3%	5.3%	-4.0%	-10.62	7,524	18,218
<i>Panel C: Inside Equity</i>						
Inside Equity	304.5	33.3	271.2	27.23	10,435	40,680
Inside Equity/Total Assets	10.6%	7.5%	3.1%	14.75	10,455	40,467
<i>Panel D: Technology</i>						
Fixed Assets/Employment	45.1	30.0	15.1	12.72	5,556	13,721
Wages/Employment	36.5	31.1	5.4	14.33	4,879	10,172

Table A13
Characteristics of New Firms with Parent Companies and Stand-Alone New Firms
Robustness to Defining New Firms as those Age 1, Age 2, or Age 3

The table reports the results of matching-based comparisons of the size (*Total Assets* or *Fixed Assets*), profitability (*EBITDA/Total Assets* or *EBIT/Total Assets*), inside equity (*Inside Equity* or *Inside Equity/Total Assets*), and technology (*Fixed Assets/Employment* and *Wages/Employment*) of new firms with different ownership structures. In Panel A, new firms are defined as those with age 1. In Panel B, new firms are defined as those age 2. In Panel C, new firms are defined as those age 3. Matching is exact on country of incorporation, three-digit ISIC industry affiliation, legal form (Public Limited or Private Limited), age, and calendar year. New firms with parent companies are new firms with at least one incorporated shareholder and stand-alone new firms are new firms owned only by individuals. *Total Assets*, *Fixed Assets*, and *Inside Equity* are measured in thousands of Euro. *Fixed Assets/Employment* and *Wage/Employment* are measured in thousands of Euro per employee.

	With Parent Companies	Stand-Alone	Difference	t-stat	# With Parent Companies	# Stand-Alone
<i>Panel A: New Firms Are Those Age 1</i>						
Total Assets	3,604.5	561.2	3,043.3	15.83	2,528	9,145
Fixed Assets	1,662.9	215.2	1,447.7	13.51	2,215	8,081
EBITDA/Total Assets	7.7%	12.9%	-5.2%	-6.98	1,408	3,579
EBIT/Total Assets	0.7%	5.4%	-4.6%	-6.15	1,795	4,235
Inside Equity	263.7	26.7	237.0	12.95	2,474	9,146
Inside Equity/Total Assets	11.5%	10.2%	1.3%	2.73	2,450	9,085
Fixed Assets/Employment	42.1	30.4	11.7	5.26	1,423	3,535
Wages/Employment	38.3	33.9	4.4	5.73	1,167	2,676
<i>Panel B: New Firms Are Those Age 2</i>						
Total Assets	3,925.7	634.7	3,291.0	26.25	6,425	23,268
Fixed Assets	1,771.3	253.6	1,517.7	21.97	5,641	21,066
EBITDA/Total Assets	8.6%	12.8%	-4.2%	-8.87	3,826	8,153
EBIT/Total Assets	1.6%	5.7%	-4.0%	-8.12	4,557	9,455
Inside Equity	294.3	34.2	260.1	20.72	6,285	23,236
Inside Equity/Total Assets	10.6%	7.5%	3.1%	11.44	6,303	23,122
Fixed Assets/Employment	45.8	30.0	15.8	10.07	3,320	6,749
Wages/Employment	38.1	32.1	5.9	11.75	3,021	5,155
<i>Panel C: New Firms Are Those Age 3</i>						
Total Assets	4,443.9	757.9	3,686.0	30.33	8,078	26,571
Fixed Assets	1,944.0	305.4	1,638.6	25.60	7,192	24,521
EBITDA/Total Assets	9.0%	13.5%	-4.5%	-11.38	5,095	10,661
EBIT/Total Assets	2.3%	5.9%	-3.6%	-8.46	5,972	12,126
Inside Equity	376.1	40.5	335.6	25.43	7,855	26,436
Inside Equity/Total Assets	10.7%	7.0%	3.7%	15.30	7,896	26,307
Fixed Assets/Employment	45.4	29.4	16.1	11.80	4,158	8,687
Wages/Employment	36.2	30.2	6.0	13.63	3,819	6,629

Figure A1.a: Firms with Parent Companies Affiliated with Groups vs. Stand-Alone Firms

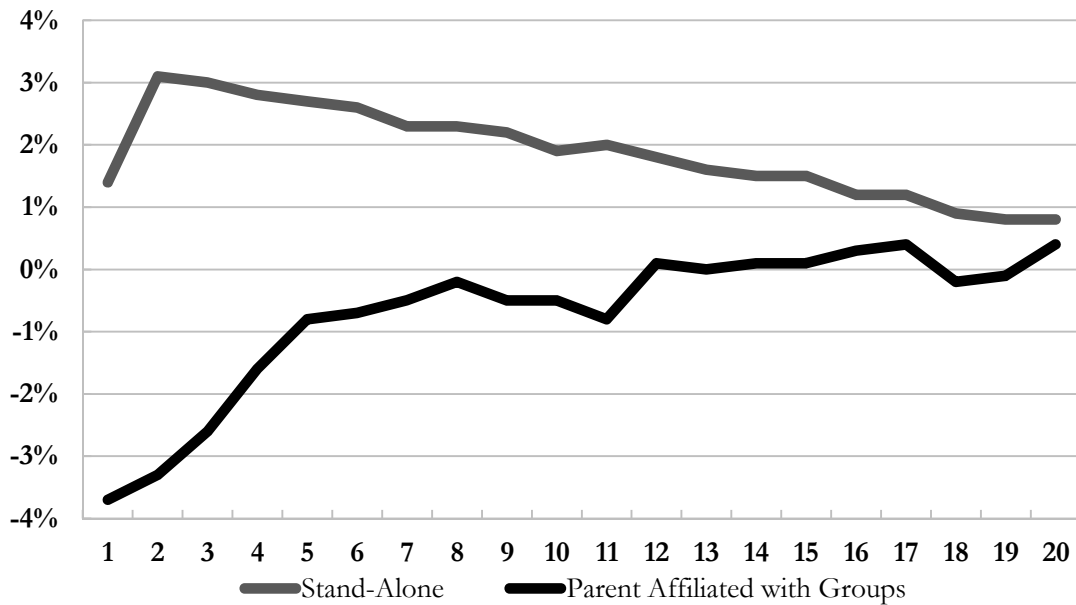


Figure A1.b: Firms with Parent Companies Not Affiliated with Groups vs. Stand-Alone Firms

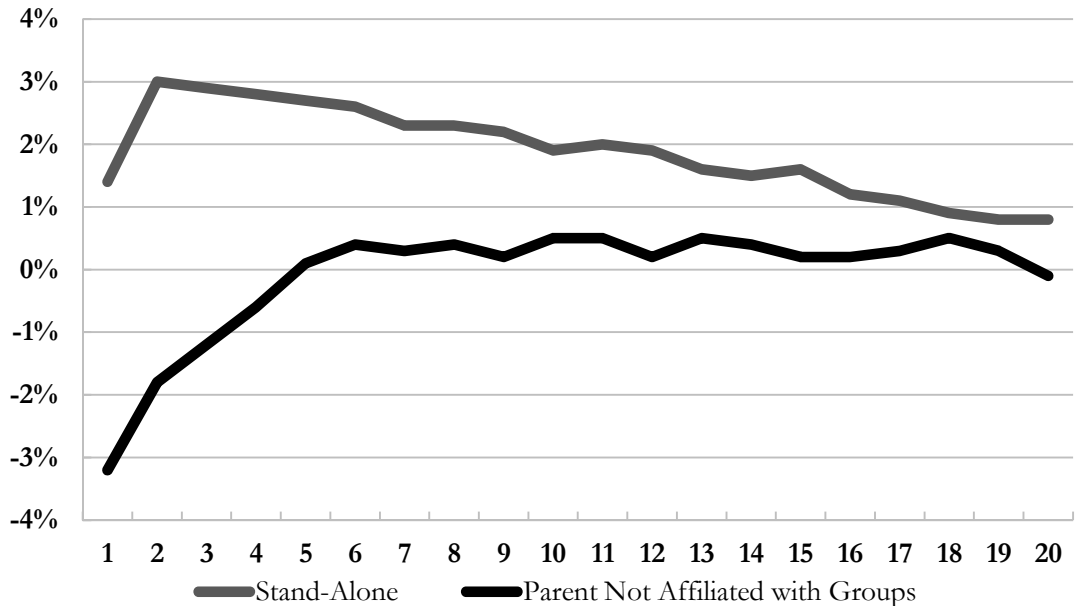


Figure A1. Age Profiles of Profitability. The sample consists of all firms in the European manufacturing sector (regardless of age) in 2001-2006. The age profiles of profitability ($EBITDA/Total\ Assets$) are estimated using the regression in equation (1). The figure plots the estimates of $\alpha + \beta_a$ for firms with parent companies (affiliated with business groups or unaffiliated) and of θ_a for stand-alone ones (vertical axis) for each age category a (horizontal axis). The age profiles of profitability are in excess of the profitability of stand-alone firms older than 20 years in the same country-industry-legal form-calendar year cell. **Figure A1.a** plots the age profiles for new firms whose parent companies are affiliated with business groups and stand-alone ones. **Figure A1.b** plots the age profiles for new firms whose parent companies are not affiliated with business groups and stand-alone ones.

Figure A2.a: Enterprise Death Rates Above Median

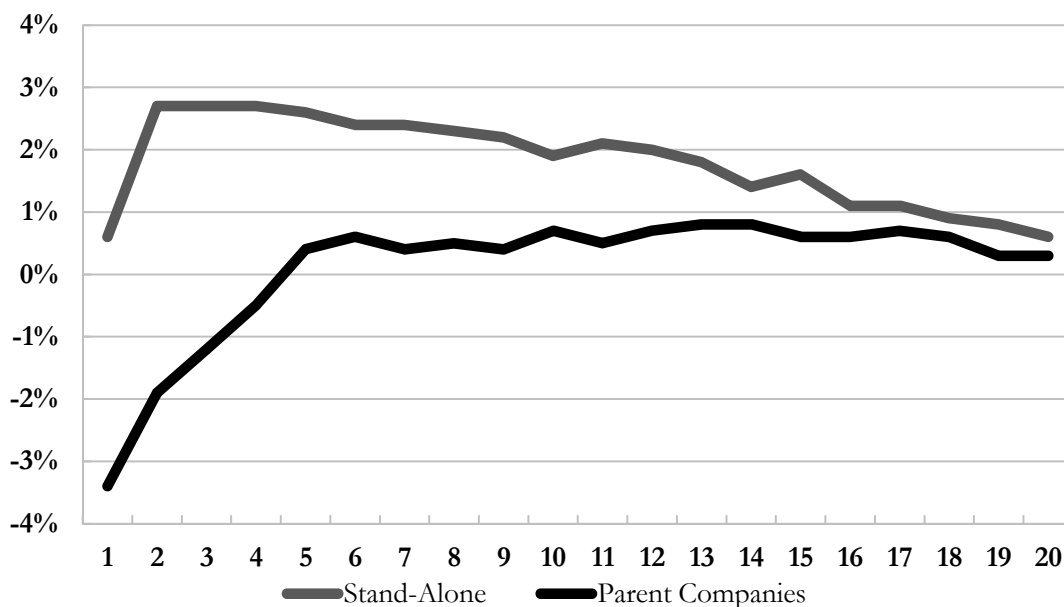


Figure A2.b: Enterprise Death Rates Below Median

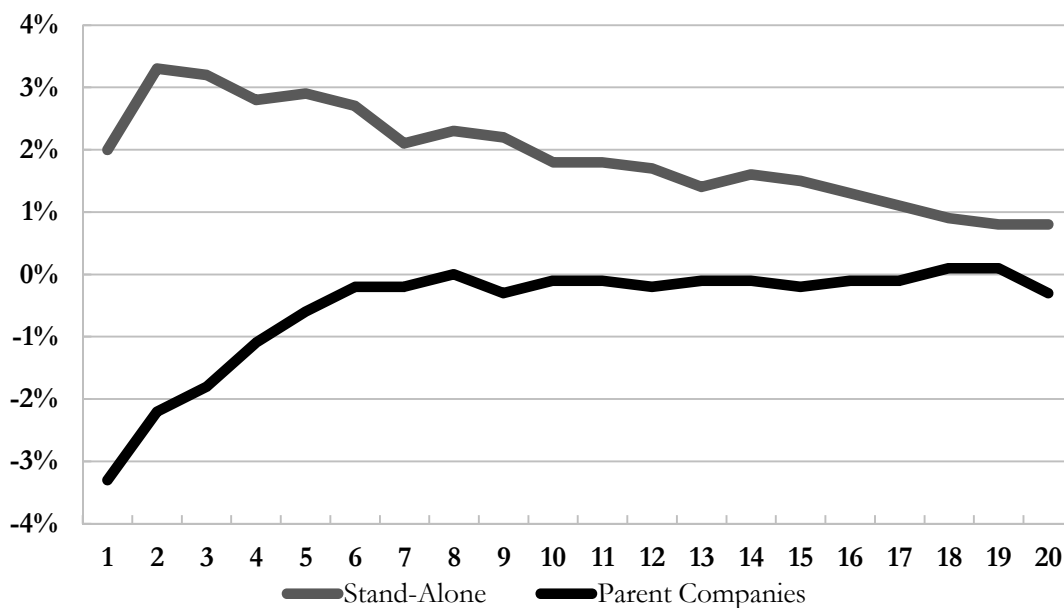


Figure A2. Age Profiles of Profitability in Industries with High and Low Enterprise Death Rates. The sample consists of all firms in the European manufacturing sector (regardless of age) in 2001-2006. The age profiles of profitability ($EBITDA/Total\ Assets$) are estimated using the regression in equation (1). The figure plots the estimates of $\alpha + \beta_a$ for firms with parent companies and of θ_a for stand-alone ones (vertical axis) for each age category a (horizontal axis). The age profiles of profitability are in excess of the profitability of stand-alone firms older than 20 years in the same country-industry-legal form-calendar year cell. An industry's death rate is defined as the time-average of the ratio of the number of enterprise deaths in the reference period and the number of enterprises active in the reference period, and is calculated at the ISIC two-digit level using census data from Eurostat's Structural Business Statistics for the countries in our sample. **Figure A2.a** plots the profiles for firms in industries with enterprise death rates above the sample median and **Figure A2.b** plots the age profiles for firms in industries with enterprise death rates below the sample median.